

Egypt Economic/Political Outlook 2011-2012

General Writing Purposes

- ◉ Stating Facts / Reviewing News
- ◉ Expressing Viewpoints / Opinions
- ◉ Criticism / Analysis
- ◉ **Forecasting / Outlook**

**Pick the words that reflect the
nature of the article**

Key Words

- ◉ Forecast
- ◉ There is a chance
- ◉ Expect
- ◉ Estimates
- ◉ Likely to
- ◉ Will

Notice: It is easier to build forecast for economic variables of numerical values, compared to political decisions and developments.

- **Trend**
- **Peak**
- **Trough**

General Reading Purposes

- ◉ Spending time, leisure and entertainment
- ◉ Criticism (agree / disagree, etc.....)
- ◉ Data collection and Analysis
- ◉ **Learning and gaining knowledge**

Reference Info

- ◉ Kind : Country Outlook
- ◉ Source: Intelligence Quarterly
- ◉ Title: Egypt Economic/Political Outlook
2011-2012
- ◉ Date: August 19th, 2011

- ◉ Other Ref Info You Might Need to Know:
 - Author
 - Publisher
 - Issue

Approach

- Review of recent developments and prevailing conditions / current status.
- Providing numerical projections (numerical values and trends) for various economic indicators during the forecast period

Our Article



Outline

- ◉ POLITICAL STABILITY
- ◉ ELECTION WATCH
- ◉ INTERNATIONAL RELATIONS
- ◉ POLICY TRENDS
- ◉ ECONOMIC GROWTH
- ◉ INFLATION
- ◉ EXCHANGE RATES
- ◉ EXTERNAL SECTOR

POLITICAL STABILITY

◉ Internal affairs:

- Heightened **political instability**
- **parliament** dissolved
- Governing **constitutional** decree
- Handing power over to an elected **civilian government.**
- New parliamentary and presidential **elections**
- Delayed **legislative** election until November

ELECTION WATCH

◉ Internal affairs

- **Dissolved** National Democratic Party
- Majority **voted** in favor of a package of amendments to the constitution in a **referendum**, paving the way for legislative and presidential elections to follow.
- Outbreak of mass **protests**
- Army council decided to postpone parliamentary election

INTERNATIONAL RELATIONS

● External affairs

- Egypt received pledges of political and economic support from key **international players** seeking to facilitate its transition to a more **democratic** system.
- **Financial assistance** offered from the US, World Bank and IMF
- Egypt's subsequent decision to turn down help from the **IMF** and the **World Bank** will not have an adverse effect on its relations with the **multilateral organizations**
- Separately, Gulf countries, announced multi-billion-dollar investments in Egypt
- Saudi Arabia has also offered **direct budget support**.

POLICY TRENDS

- Macroeconomic policy and Investment:
 - Economic reforms , liberalization , **privatization** & private sector investment-led economic growth
 - The budget for **fiscal year** 2011/12 (July-June) demonstrates an aspiration to achieve greater **social equality**, including significantly larger allocations to **subsidies** and higher **government investment**. compared with the current budget.
 - Additional costs will be financed through higher **taxes, grants** and **domestic borrowing**.
 - Previous government had set ambitious targets for investment in **infrastructure** through awarding **public-private partnership** contracts.

ECONOMIC GROWTH

- GDP Growth and Fiscal Policy :
 - Slowing down **real GDP growth** and contracting economy caused by the political crisis.
 - Private **consumption** and **exports**, particularly of services, are likely to have been significantly affected.
 - Government's decision to revise down its **expenditure** target for the new fiscal year.
 - Government's rejection of US\$3bn in **assistance** from the IMF is likely to curtail spending.

INFLATION

◉ Monetary Policy:

- **Peaked**
- Fell steadily
- Rising food and fuel prices created **inflationary pressures**
- These factors will be exacerbated by the **depreciation** of the Egyptian pound as a result of the political crisis.

EXCHANGE RATES

● Monetary Policy:

- The **exchange rate** is driven in large part by **capital flows** and developments with the US dollar.
- Egypt's robust economy and high **interest rates** compared with much of the rest of the world had attracted substantial **carry-trade inflows** in recent years.
- The **trend** has now **reversed** and the Egyptian pound slipped to a five-year low against the dollar in late October 2010, possibly with some help from the Central Bank of Egypt.
- Since the January revolution, the pound has continued to **depreciate**.
- In light of ongoing political **uncertainty**, we expect the pound to weaken further,
- The currency is expected to strengthen as the political situation stabilizes, but will remain weaker than in recent years

EXTERNAL SECTOR

● Balance of Payments:

- The **trade deficit** will widen in 2011 before recovering slightly in 2012-13, driven partly by strengthening **external demand**, before widening again over the remainder of the forecast period.
- **Import growth** will slow in 2012 on the back of lower **commodities prices**, before picking up gradually up to 2015.
- The **non-merchandise surplus** will narrow significantly in 2011 as **service exports**, namely tourism, will be affected by the political crisis.
- The **transfers account** will maintain a solid surplus
- The **current account** will remain in **deficit** until 2014, when it will move into surplus as the services and transfers surpluses strengthen.

**Mention one issue that was not tackled
in the article.**

Un-tackled Issues

- ◉ Financial Sector affairs
- ◉ Investment climate and incentives
- ◉ Entrepreneurship
- ◉ Health
- ◉ Education